

Consolidated Financial Statements
of the Fiscal Year Ending March 31, 2020
(Japanese accounting standards)

May 25, 2020

Corporate Name : H2O Retailing Corporation
Securities Code : 8242 (First Section of the Tokyo Stock Exchange)
URL : <http://www.h2o-retailing.co.jp/>
Representative : Naoya Araki, President and Representative Director
Contact : Gaku Watanabe, Executive Officer
TEL : +81-6-6365-8120
Scheduled date of shareholders' meeting : June 23, 2020
Scheduled date of filing of the financial report : July 15, 2020
Scheduled date of dividend payment : June 9, 2020
Preparation of supplementary materials : Yes
Briefing session on quarterly financial results : Yes (for institutional investors and analysts)

(Figures are rounded down to the nearest million yen.)

1. Consolidated Business Results of the Fiscal Year ending March 31, 2020
(From April 1, 2019 to March 31, 2020)

(1) Consolidated operating results (Cumulative total) (Percentages indicate year-on-year changes.)

	Net Sales		Operating Profit		Ordinary Profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2020	897,289	(3.2)	11,171	(45.3)	11,831	(44.7)	(13,150)	-
FY2019	926,872	0.5	20,422	(10.3)	21,376	(11.9)	2,162	(85.2)

Note : Comprehensive income FY2020 (30,174) million yen, (-)% , FY2019 3,592 million yen, (83.2)%

	Net Income per Share	Net Income per Share(Diluted)	Return on Equity	Ratio of Ordinary Income to Total Assets	Ratio of Operating Income to Net Sales
	Yen	Yen	%	%	%
FY2020	(106.38)	-	(5.0)	1.9	1.2
FY2019	17.50	17.39	0.8	3.2	2.2

Reference : Share of profit(loss) of entities accounted for using equity method FY2020 (226) million yen , FY2019 (179) million yen

(2) Consolidated financial position

	Total Assets	Net Assets	Owner's Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
FY2020	586,904	244,634	41.5	1,967.90
FY2019	663,335	279,603	42.0	2,252.28

Reference : Owner's equity FY2020 243,317 million yen , FY2019 278,364 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2020	10,039	(22,619)	(16,440)	25,958
FY2019	15,392	(36,682)	9,581	55,229

2. Dividends

	Annual Dividends					Total Dividends Payment (Annual)	Payout Ratio (Consolidated)	Ratio of Dividends to Net Assets (Consolidated)
	First Quarter	Second Quarter	Third Quarter	Fiscal Year-End	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY2019	-	20.00	-	20.00	40.00	4,943	228.5	1.8
FY2020	-	20.00	-	20.00	40.00	4,944	-	1.9
FY2021(Forecast)	-	-	-	-	-	-	-	-

Note : The forecast of dividends for the fiscal year ending March 31, 2021 yet to be determined

3. Forecast of Consolidated Business Results for the Fiscal Year ending March 31, 2021
(From April 1, 2020 to March 31, 2021)

The forecast of consolidated business results for the fiscal year ending March 31, 2021 yet to be determined because it is difficult to forecast reasonably the magnitude and duration of the impact of COVID-19 pandemic. The company will disclose them as soon as it becomes possible to reasonably forecast.

These financial statements have been prepared for reference only in accordance with accounting principles and practices generally accepted in Japan.

Notes

- (1) Changes in significant subsidiaries during the period
(changes in specified subsidiaries resulting in the change in scope of consolidation) : No
- (2) Changes in accounting policies, changes in accounting estimates or restatements
(a) Changes in accounting policies due to changes in consolidated accounting standards : No
(b) Changes other than (a) : No
(c) Changes in accounting estimates : No
(d) Restatements due to correction : No
- (3) Number of shares issued and outstanding (common stock)
(a) Number of shares issued at the end of the period (including treasury stock)
FY2020 125,201,396 shares
FY2019 125,201,396 shares
(b) Number of shares of treasury stock at the end of the period
FY2020 1,558,219 shares
FY2019 1,609,297 shares
(c) Average number of shares during the period
FY2020 123,615,772 shares
FY2019 123,538,732 shares

Note : These consolidated financial results are outside the scope of audit by certified public accountants or auditing firms

Note : Explanation regarding the appropriate use of forecast

The forecast of consolidated business results for the fiscal year ending March 31, 2021 yet to be determined because it is difficult to forecast reasonably the magnitude and duration of the impact of COVID-19 pandemic. Please refer to the attachment document p.6 "5. Forecast of FY2021" for more detail.

1. Consolidated Financial Results

(millions of yen)

	Mar. 31, 2018 Amount	Mar. 31, 2019 Amount	Amount	YoY	Mar. 31, 2020 Inc./Dec.	versus forecast	Inc./Dec.
Department Store	469,604	494,608	473,225	(4.3)%	(21,382)		
Supermarket	386,552	367,580	354,115	(3.7)%	(13,464)		
Shopping Center	10,367	8,736	8,725	(0.1)%	(10)		
Other	55,346	55,948	61,222	9.4%	5,274		
Net Sales	921,871	926,872	897,289	(3.2)%	(29,583)	(3.3)%	(30,710)
Department Store	18,624	17,919	11,486	(35.9)%	(6,433)		
Supermarket	1,104	(438)	(2,503)	-	(2,064)		
Shopping Center	4,985	4,281	4,141	(3.3)%	(139)		
Other	3,098	5,030	2,903	(42.3)%	(2,127)		
consolidation adjustment	(5,047)	(6,371)	(4,856)	-	1,514		
Operating Profit	22,765	20,422	11,171	(45.3)%	(9,250)	(30.2)%	(4,828)
Ordinary Profit	24,272	21,376	11,831	(44.7)%	(9,545)	(27.0)%	(4,368)
Extraordinary income	5,243	895	1,707	90.6%	811		
Extraordinary losses	6,296	14,221	22,875	60.9%	8,654		
Profit	14,636	2,162	(13,150)	-	(15,312)	-	(18,150)

※ Net sales refer to sales to external customers.

※ Kobe/Takatsuki business segment has been integrated into Department store business segment since FY2020 because businesses of Sogo Kobe store and Seibu Takatsuki store were transferred to Hankyu Hanshin Department Stores Inc. from H2O Asset Management Co., Ltd. on October 1, 2019, and these stores were rebranded to “Kobe Hankyu” and “Takatsuki Hankyu”.

▶ Sales

Consolidated sales of FY2020 were ¥897,289 million (-3.2% YOY). Half-year sales (April-September) exceeded those for the same period last year benefited from solid domestic consumer spending and increased inbound spending and a last-minute surge in demand before the consumption tax hike in September. However, sales in Q3(October-December) and Q4(January-March) declined affected by a downturn in consumer sentiment attributed to the consumption tax hike and warm winter weather. Furthermore, in Q4, the company restrained some part of its department store operation or shortened its operating hours due to the COVID-19 outbreak, this brought a huge impact on sales.

▶ Operating Profit and Ordinary Profit

The company generated a consolidated operating profit of ¥11,171 million (-45.3% YOY) and a consolidated ordinary profit of ¥11,831 million (-44.7% YOY) on account of a decrease in gross profit led by sales decrease, temporary store closure of Izumiya stores during the renovation period and increase in depreciation associated with Hanshin Umeda Wing I.

(Department store Business)

At Hankyu main store, sales decreased by 3.8% YOY. Sales grew until the end of Q2 backed up by solid domestic and inbound demand, particularly for fashion, and a last-minute surge in demand before the consumption tax hike. However, sluggish sales of apparel due to the fallback in demand following the consumption tax hike and warm winter in Q3 in addition to shortening opening hours and restraints of operation to prevent COVID-19 spreading in 4Q resulted in full-year sales decline.

At Hanshin Umeda main store, sales decreased by 9.8% YOY. The negative repercussion after the opening boom of Wing I in the last fiscal year and operation restraints and other measures, similar to Hankyu main store had done, affected sales.

On the other hand, at branch stores, sales, mainly in food halls, were relatively less affected despite the fact some stores took counter-measures to prevent COVID-19 spreading such as shortening opening hours and a store closure. Also, renovations of food halls at Kobe Hankyu (former Sogo Kobe store) and Takatsuki Hankyu (former Seibu Takatsuki store), which rebranded in October 2019, proved successful.

As a result, sales fell short of the results of the previous year. Operating profit was down 35.9% YOY owing to a decrease in gross profit led by sales decrease, increase in depreciation associated with Hanshin Umeda Wing I and increase in expenses regarding renovation and rebranding of Kobe Hankyu and Takatsuki Hankyu.

※Kobe/Takatsuki business segment has been integrated into Department store business segment since FY2020 because businesses of Kobe Hankyu (former Sogo Kobe store) and Takatsuki Hankyu (former Seibu Takatsuki store) were transferred to Hankyu Hanshin Department Stores Inc. on October 1, 2019. In accordance with this change, the results of the previous fiscal year have been reclassified in line with the revised segment.

(Supermarket Business)

Sales and operating profit in Supermarket business decreased compared with those of the previous year.

Izumiya Co., Ltd.(Izumiya) recorded a decrease in sales, and continuously from the previous year produced an operating loss. Izumiya opened, renewal/rebuilt 5 stores including Izumifuchu (Osaka), Hanazono (Osaka), and Hankyu Rakuho Square (Kyoto) as part of proceeding store restructuring and the model conversion. Also, the company newly opened Shinchujo (Osaka) in May. Nevertheless, exiting store sales were struggled due to the intensified competition and shrinkage of the amount of sales space of apparel and home products concerning the GMS model conversion.

Although Hankyu Oasis Co., Ltd. promoted the review of pricing policy and cost- reduction, sales and operating profit decreased because exiting store sales were struggled due to the intensified competition. Hankyu Oasis newly opened Fukushima Fukumarudori 57 (Osaka), Kisela Kawanishi (Hyogo), and re-opened Minami-Ibaraki (Osaka), Ibaraki Higashi-Nara (Osaka) which had been temporarily closed affected by the earthquake occurred in June 2018.

(Shopping Center Business)

Sales and profit decreased from the last fiscal year.

Sales decreased mainly because of Centre Limited Liability Company. It operates SELCY the shopping Center, and rental revenues decreased due to the closure of SELCY in May 2019 associated with an on-going redevelopment project. Hankyu Shopping Center Development Co., Ltd. has opened Hankyu Rakuho Square (former Qanat Rakuho) in December with the larger floor area, and it is getting good reputations from neighbor customers. However, lost business days, construction expenses, and an increase of depreciation in line with this opening led to an operating loss.

(Other)

Sales in Other business increased by 9.4% YOY, and operating profit dropped by 42.3% YOY.

Hankyu Freds Co., Ltd. operating bakery and cafe and asnas Co., Ltd operating convenience store and kiosk have become consolidated subsidiaries since this fiscal year, while Kazokutei Co., Ltd. and Sun Laurie Co., Ltd. were transferred to SRS Holdings Co., Ltd. through a share exchange as of February 1st, 2020.

At Persona Co., Ltd., credit transaction volume increased owing to a cashless payment program, pushing up sales and profit. Sales and profit in Hankyu Kensou Co., Ltd, also increased because orders for the interior of hotels and restaurants grew. Nevertheless, Oi Development Co., Ltd operating "OURS INN HANKYU" the business hotel which had been maintaining a high occupancy rate until the end of Q3 decreased in profit since the number of business travelers and foreign visitors plummeted in 4Q due to COVID-19 expansion. Operating profit in H2O RETAILING Corporation was down compared to the last fiscal year because dividends received from subsidiaries decreased.

▶Profit attributable to owners of parent

The Company recorded a loss attributable to owners of parent of ¥13,150 million. Extraordinary losses totaled 22,875 million, including Impairment losses of ¥14,196 million regarding Izumiya and Hankyu Oasis stores and others and Business restructuring expenses of ¥3,854 million associated with the implementation of early retirement as part of Izumiya model conversion.

(millions of yen)		
	Amount	Main contents
Extraordinary income	1,707	(previous FY : 895)
Gain on sales of non-current assets	997	Izumiya Izumisano, Wakaeiwata
Gain on sales of investment securities	693	
Gain on bargain purchase	17	
Extraordinary losses	22,875	(previous FY : 14,221)
Impairment losses	14,196	Izumiya, Hankyu Oasis, Hanku Hanshin Department stores
Business restructuring expenses	3,854	Izumiya: : early retirement bonus, valuation loss on goods
Loss on retirement of non-current assets	1,848	Hankyu Hanshin Department stores, Izumiya, Hankyu Shopping Center Development
Loss on sales of non-current assets	930	Izumiya Daito
Loss on liquidation of business	821	Liquidation of business of Kitchen Yell Kyushu, Transfer of business of With System
Loss on closing of stores and others	747	SELCY rebuilding, Izumiya store conversion
Loss on share exchanges	477	a share exchange between KAZOKUTEI CO., LTD./ Sun Laurie Co., Ltd. and SRS HOLDINGS CO.,LTD.

2. Consolidated Balance Sheet

(millions of yen)			
	Mar. 31, 2019	Mar. 31, 2020	Inc./Dec.
Cash and deposits	55,229	25,958	(29,270)
Notes and accounts receivable-trade	49,886	44,445	(5,440)
Inventory	33,920	29,688	(4,232)
Total current assets	150,003	112,116	(37,887)
Total non-current assets	513,331	474,788	(38,543)
Total assets	663,335	586,904	(76,431)
Notes and accounts payable-trade	59,732	43,917	(15,815)
borrowings and bonds	164,920	151,713	(13,206)
Total liabilities	383,731	342,270	(41,461)
Shareholders' equity	239,755	221,732	(18,022)
Total net assets	279,603	244,634	(34,969)
Total liabilities and net assets	663,335	586,904	(76,431)

Total assets of FY2020 decreased by ¥76,431 million to ¥586,904 million. This was primarily attributable to a decrease in cash and deposits of ¥29,270 million due to capital investment and repayments of borrowings, property, plant and equipment of ¥11,695 million on account of sales of Izumiya stores, and Investment securities of ¥25,308 million due to the sales of shares and the fall in the share prices of shares held by H2O.

Total liabilities amounted ¥342,270, fell ¥41,461 million compared with the last fiscal year. This was mainly attributable to a decrease in Notes and accounts payable – trade of ¥15,815 million due to a decline in purchases, and borrowings and bonds of ¥13,206 million owing to repayments of borrowings.

Given retained earnings decreased ¥18,094 due to a net loss, and valuation difference on available-for-sale securities decreased ¥17,429 regarding the fall in the share prices, total net assets stood at ¥244,634 million, a decline of ¥34,969 million.

3. Capital Investment

(millions of yen)		
	Amount	Major contents
Department Store	8,508	Hankyu Umeda Main store, Kobe Hankyu and Takatsuki Hankyu
Supermarket	8,655	New stores opening of Hankyu Oasis, Rebuilding of Izumiya stores
Shopping Center	9,511	Expansion of Hankyu Rakuoku Square, Rebuilding of Izumiya stores
Other	8,541	Software development
consolidation adjustment	(92)	
Total	35,125	

4. Consolidated Cash Flow Statements

(millions of yen)

	Mar. 31, 2018	Mar. 31, 2019	Mar. 31, 2020
Cash flows from operating activities	32,739	15,392	10,039
Profit (loss) before income taxes	23,219	8,050	(9,337)
Depreciation	16,223	17,399	18,519
Impairment losses	3,479	2,592	14,196
Decrease (increase) in trade receivables	(2,248)	(3,017)	4,857
Decrease (increase) in inventories	1,796	968	3,783
Increase (decrease) in trade payables	833	(2,249)	(14,955)
Income taxes paid	(5,721)	(7,304)	(5,525)
Cash flows from investing activities	(35,492)	(36,682)	(22,619)
Purchase of property, plant and equipment	(19,197)	(30,289)	(26,535)
Purchase of intangible assets	(4,009)	(3,713)	(6,938)
Payments for acquisition of businesses	(14,536)	-	(648)
Proceeds from sales of property, plant and equipment	3,259	1,412	8,826
Cash flows from financing activities	(13,812)	9,581	(16,440)
Net increase (decrease) in short-term borrowings	(2,000)	8,000	7,000
Repayments of long-term borrowings	(29,578)	(22,624)	(20,375)
Proceeds from long-term borrowings	30,150	20,040	98
Dividends paid	(4,938)	(4,941)	(4,944)
Total	(16,565)	(11,707)	(29,020)
Cash and cash equivalents	67,150	55,229	25,958

Indicators related to cash flows

	Mar. 31, 2016	Mar. 31, 2017	Mar. 31, 2018	Mar. 31, 2019	Mar. 31, 2020
Equity ratio	42.3%	41.2%	42.4%	42.0%	41.5%
Equity ratio based on market price	40.3%	34.6%	36.4%	28.7%	16.7%
Interest-bearing debt to cash flow ratio	5.6	4.3	4.9	11.3	14.9
Interest coverage ratio	19.8x	36.1x	32.5x	21.1x	13.1x

Equity ratio: Equity / Total Assets

Equity ratio based on market price: Market Capitalization / Total Assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Operating Cash flows

Interest coverage ratio: Operating Cash flows / Interest payment

※1 These indicators are calculated based on figures from our consolidated financial statement.

※2 Market capitalization is calculated as the share price at period-end multiplied by the number of shares outstanding at period-end (excluding treasury stock).

※3 Operating cash flows are the cash flows from operating activities as indicated in the consolidated cash flow statement. Interest-bearing debt is all liabilities reflected on the consolidated balance sheets that are subject to interest payments. Further, regarding interest payments, the amount of interest expenses paid in consolidated statements of cash flows is used.

※4 "Partial Amendments to the Accounting Standard for Tax Effect Accounting" (ASBJ No.28; February 16, 2018), etc. have been applied from the beginning of the first quarter of the fiscal year ending March 31, 2019, and results for previous terms are those after retrospective application.

5. Forecast of FY2021

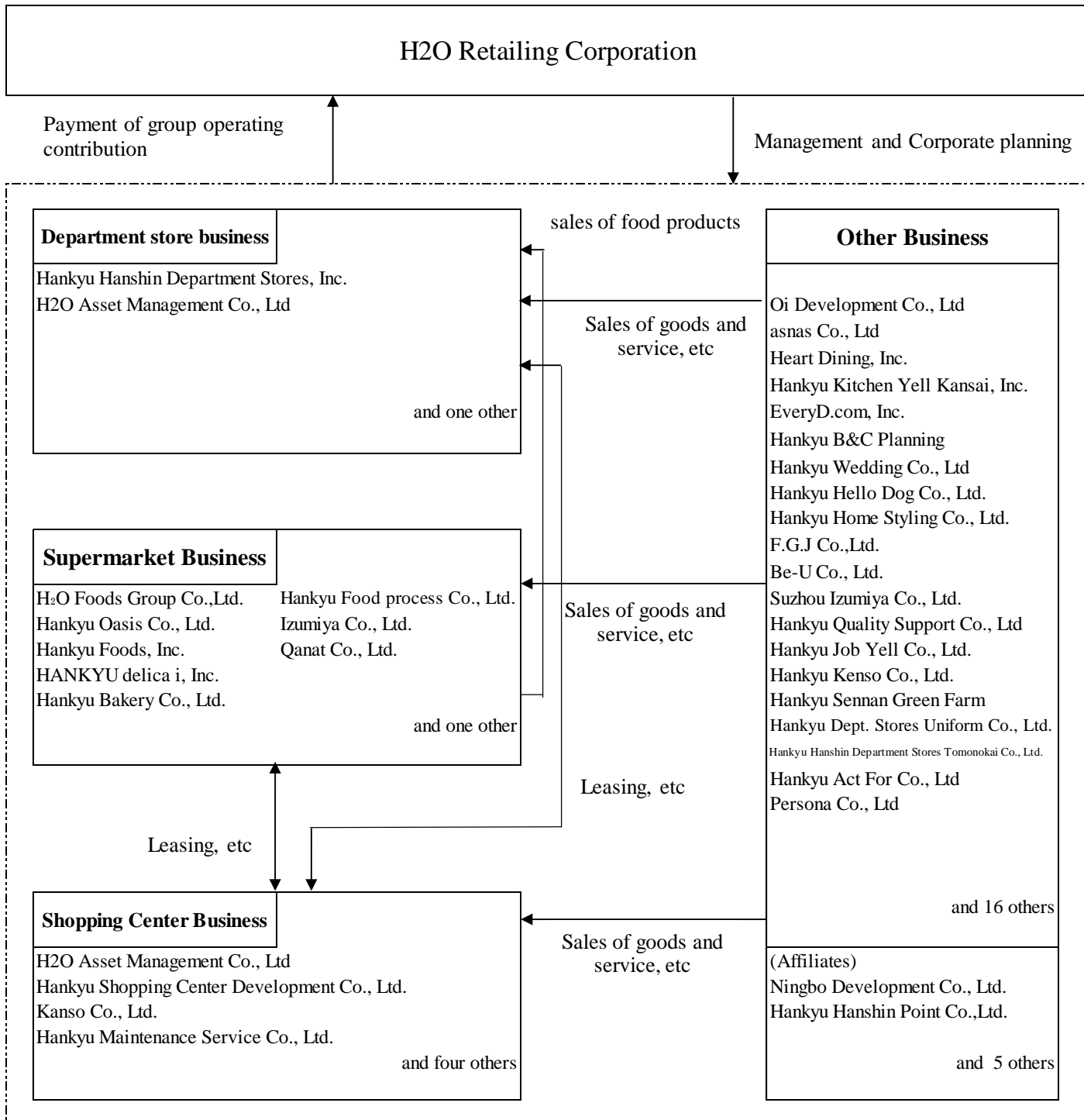
The company has been facing a never experienced situation with a drastic change in the social and economic environment by COVID-19 outbreak after February 2020.

Although the company is continuing to operate Supermarkets such as Izumiya and Hankyu Oasis, the mainstay Department store business is seeing a serious decline in earning capacity under the exceptional business operation. The company implemented shortening all department stores' opening hours from March and closing all stores after the declaration of the state of emergency in April (has been operating food halls in some stores). The forecast of consolidated business results for the fiscal year ending March 31, 2021 yet to be determined. Given the forecast for consumption and spending following the environmental changes in the future is untransparent, it is difficult to estimate the recovery of earnings reasonably. The company will disclose them as soon as it becomes possible to reasonably forecast.

For a while, the company will operate businesses as appropriate following the requests from the government, with prioritizing customers' and employees' safety and health. Besides, the company will strive to enhance management efficiency through revision of capital investment and reducing costs such as promotion cost, activity expenses, and fixed costs.

6. Subsidiaries

The major subsidiaries of the Company as of March 31, 2020 are shown as follows:



※ H2O Retailing Corporation, Hankyu Hanshin Department stores and etc lease real estate from Hankyu Corporation and others which are the subsidiaries of Hankyu Hanshin holdings.

7. Management Policy

Basic management policy

The company's basic philosophy is "To remain indispensable to the local communities through our activities of providing a model of lifestyle to local residents." Guided by this philosophy, the company established a vision; "To be a customer's lifestyle partner to enrich their hearts through offering "fun, happy and tasty" experiences, contributing to the future of the local community, children and our planet." The company strives to enhance competitiveness and promotes each business, following the vision.

Mid- to long-term business plan and Challenges to be Addressed

The Japanese retail market is shrinking as a result of population aging, lower birthrates, and population decline. One of the most characteristic points of the Group is to have various touchpoints with customers since we operate different types of retail stores in the Kansai region. We strive to build up new customer relationships and business models through integrating real store network and digital technologies, embody and deepen strategy for ensuring market dominance in the Kansai region through offering our own unique values. Furthermore, the company will achieve increased market share by strengthening stores in urban areas and Supermarket business.

On the other hands, the company has been facing a never experienced situation with a drastic change in the social and economic environment by COVID-19 outbreak in the meantime. For a while, the company will operate businesses as appropriate following the requests from the government, with prioritizing customers' and employees' safety and health. Besides, the company will strive to enhance management efficiency through revision of capital investment and reducing costs such as promotion cost, activity expenses, and fixed costs.

The establishment of quarantine, remote working, and online shopping and online communicating due to the COVID-19 outbreak brought a new lifestyle. Seeing the COVID-19 era, and after, the company will engage to develop a new business style and promote a work style reform to adapt to a new normal life. At the same time the company aims to be a group that can attain sustainable growth, enhancing social values based on contribution to the community and global environment. There is a possibility that society and economics would be changed drastically depending on social conditions and trends regarding COVID-19. If these factors arise any changes on risks, measures, and business plan which would impact the company operation, the company disclose these as appropriate.

Basic policy concerning profit distribution

The company's basic policy is to implement stable profit distribution with considering cash flow which necessary for establishing an appropriate financial base for mid-, long-term, and investment for growth, based on the performance of each fiscal year. The company will implement an appropriate profit distribution under the consideration of an overall mid-, long-term plan, of Profit attributable to owners of parent, consolidated net assets, and consolidated cash flow.

8. Basic policy concerning the accounting standard

The company adopts Japanese accounting standards as the accounting standard.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2019 (as of March 31, 2019)	FY2020 (as of March 31, 2020)
Assets		
Current assets		
Cash and deposits	55,229	25,958
Notes and accounts receivable -trade	49,886	44,445
Merchandise and finished goods	31,600	27,732
Work in progress	329	348
Raw materials and supplies	1,990	1,607
Accounts receivable - other	6,778	7,618
Other	4,643	4,740
Allowance for doubtful accounts	(454)	(335)
Total current assets	<u>150,003</u>	<u>112,116</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures	319,564	308,287
Accumulated depreciation	(203,956)	(190,311)
Buildings and structures, net	<u>115,608</u>	<u>117,976</u>
Machinery, equipment and vehicles	8,221	7,956
Accumulated depreciation	(4,801)	(4,992)
Machinery, equipment and vehicles, net	<u>3,420</u>	<u>2,964</u>
Land	147,281	139,351
Construction in progress	7,666	1,248
Other	46,820	47,145
Accumulated depreciation	(35,937)	(35,520)
Other, net	<u>10,882</u>	<u>11,624</u>
Total property, plant and equipment	<u>284,860</u>	<u>273,165</u>
Intangible assets		
Goodwill	4,076	3,305
Other	14,685	15,862
Total intangible assets	<u>18,762</u>	<u>19,168</u>
Investments and other assets		
Investment securities	121,149	95,841
Long-term loans receivable	4,571	7,026
Guarantee deposits	72,290	70,425
Retirement benefit asset	-	60
Deferred tax assets	11,942	10,008
Other	2,683	2,020
Allowance for doubtful accounts	(2,928)	(2,927)
Total investments and other assets	<u>209,709</u>	<u>182,454</u>
Total non-current assets	<u>513,331</u>	<u>474,788</u>
Total Assets	<u>663,335</u>	<u>586,904</u>

	(Millions of yen)	
	FY2019	FY2020
	(as of March 31, 2019)	(as of March 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	59,732	43,917
Short-term borrowings	8,000	15,000
Current portion of long-term borrowings	20,201	18,100
Accounts payable - other	19,655	21,976
Lease obligations	749	910
Income taxes payable	4,151	2,267
Gift certificates	29,676	27,872
Provision for bonuses	5,018	3,953
Provision for bonuses for directors (and other officers)	156	90
Provision for loss on store closing	967	78
Provision for point card certificates	1,823	1,951
Asset retirement obligations	68	90
Other	23,888	21,930
Total current liabilities	174,092	158,139
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	116,718	98,613
Deferred tax liabilities	26,152	17,108
Deferred tax liabilities for land revaluation	266	266
Provision for retirement benefits for directors (and other officers)	221	164
Provision for redemption of gift certificates	4,020	4,233
Retirement benefit liability	16,827	13,993
Long-term accounts payable - other	621	287
Lease obligations	8,686	13,806
Long-term guarantee deposited	9,820	9,632
Asset retirement obligations	2,755	3,165
Other	3,548	2,858
Total non-current liabilities	209,639	184,131
Total Liabilities	383,731	342,270
Net Assets		
Shareholders' equity		
Share capital	17,796	17,796
Capital surplus	92,675	92,650
Retained earnings	132,278	114,184
Treasury shares	(2,995)	(2,899)
Total shareholders' equity	239,755	221,732
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	42,864	25,435
Revaluation reserve for land	124	124
Foreign currency translation adjustments	(788)	(1,128)
Remeasurements of defined benefit plans	(3,591)	(2,846)
Total accumulated other comprehensive income	38,608	21,584
Share acquisition rights	1,235	1,312
Non-controlling interests	4	4
Total net assets	279,603	244,634
Total Liabilities and Net Assets	663,335	586,904

(2) Consolidated Statements of Income

(Millions of yen)

	FY2019 (From April 1, 2018 to March 31, 2019)	FY2020 (From April 1, 2019 to March 31, 2020)
Net sales	926,872	897,289
Cost of sales	660,636	641,253
Gross profit	266,235	256,035
Selling, general and administrative expenses		
Salaries and allowances	77,059	75,738
Rent expenses	39,306	40,286
Other	129,448	128,838
Total selling, general and administrative expenses	245,813	244,863
Operating profit	20,422	11,171
Non-operating income		
Interest income	80	169
Dividend income	1,326	1,314
Gain on adjustment of accounts payable	1,429	1,487
Other	1,051	884
Total non-operating income	3,887	3,855
Non-operating expenses		
Interest expenses	728	772
Loss on provision for redemption of gift certificates	1,066	1,058
Share of loss of entities accounted for using equity method	179	226
Other	958	1,138
Total non-operating expenses	2,932	3,196
Ordinary profit	21,376	11,831
Extraordinary income		
Gain on sales of non-current assets	-	997
Gain on sales of investment securities	-	693
Gain on bargain purchase	-	17
Insurance income	895	-
Total extraordinary income	895	1,707
Extraordinary losses		
Impairment losses	2,592	14,196
Business restructuring expenses	-	3,854
Loss on retirement of non-current assets	1,266	1,848
Loss on sales of non-current assets	-	930
Loss on liquidation of business	546	821
Loss on closing of stores and others	7,228	747
Loss on share exchanges	-	477
Loss on disaster	1,402	-
Outplacement expenses	672	-
Expenses for opening new stores	514	-
Total extraordinary losses	14,221	22,875
Profit (loss) before income taxes	8,050	(9,337)
Income taxes - current	4,696	3,550
Income taxes - deferred	1,192	262
Total income taxes	5,888	3,813
Profit (loss)	2,162	(13,150)
Profit attributable to non-controlling interests	0	0
Profit (loss) attributable to owners of parent	2,162	(13,150)

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2019 (From April 1, 2018 to March 31, 2019)	FY2020 (From April 1, 2019 to March 31, 2020)
Cash flows from operating activities		
Profit (loss) before income taxes	8,050	(9,337)
Depreciation	17,399	18,519
Impairment losses	2,592	14,196
Loss on store closing and others	4,398	170
Amortisation of goodwill	570	581
Loss (gain) on sale of businesses	546	-
Increase (decrease) in allowance for doubtful accounts	46	(103)
Increase (decrease) in provision for bonuses	(74)	(1,001)
Increase (decrease) in provision for bonuses for directors (and other officers)	(3)	(66)
Increase (decrease) in retirement benefit liability	2,001	(2,626)
Increase (decrease) in remeasurements of defined benefit plans	(2,932)	744
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(6)	(7)
Increase(decrease) in provision for redemption of gift certificates	292	213
Increase(decrease) in provision for loss on store closing and others	851	(889)
Increase(decrease) in provision for point card certificates	(135)	129
Interest and dividend income	(1,406)	(1,483)
Interest expense	728	772
Insurance claim income	(895)	(69)
Loss on disaster	1,402	2
Share of loss (profit) of entities accounted for using equity method	179	226
Loss (gain) on sales of investment securities	-	(693)
Loss (gain) on sales of non-current assets	-	(66)
Loss on retirement of non-current assets	343	773
Business restructuring expenses	-	3,854
Loss on liquidation of business	-	375
Loss (gain) on share exchanges	-	461
Decrease (increase) in trade receivables	(3,017)	4,857
Decrease (increase) in inventories	968	3,783
Increase (decrease) in trade payables	(2,249)	(14,955)
Increase (decrease) in accrued consumption taxes	(429)	566
Increase (decrease) in gift certificates	(4,193)	(1,799)
Increase (decrease) in advances received	(3,316)	69
Other, net	762	(2,242)
Sub total	22,473	14,953
Interest and dividend income received	1,401	1,368
Interest paid	(730)	(766)
Income taxes paid	(7,304)	(5,525)
Proceeds from insurance income	895	69
Payments associated with disaster loss	(1,343)	(60)
Net cash provided by (used in) operating activities	15,392	10,039

	(Millions of yen)	
	FY2019	FY2020
	(From April 1, 2018 to March 31, 2019)	(From April 1, 2019 to March 31, 2020)
Cash flows from investing activities		
Purchase of property, plant and equipment	(30,289)	(26,535)
Proceeds from sales of property, plant and equipment	1,412	8,826
Purchase of intangible assets	(3,713)	(6,938)
Proceeds from sales of intangible assets	-	2
Payments for asset retirement obligations	(374)	(205)
Purchases of investment securities	(37)	(1,288)
Proceeds from sales and redemption of short-term and long-term investment securities	0	3,699
Proceeds from sale of businesses	(45)	-
Payments for acquisition of businesses	-	(648)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	-	(23)
Long-term loan advances	(696)	(2,685)
Collection of long-term loans receivable	147	2,554
Payments of guarantee deposits	(6,335)	(962)
Proceeds from refund of guarantee deposits	3,712	1,549
Other	(463)	35
Net cash provided by (used in) investing activities	<u>(36,682)</u>	<u>(22,619)</u>
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	8,000	7,000
Proceeds from long-term borrowings	20,040	98
Repayments of long-term borrowings	(22,624)	(20,375)
Proceeds from issuance of bonds	9,946	-
Proceeds from sales of treasury shares	0	0
Purchase of treasury shares	(3)	(2)
Dividends paid	(4,941)	(4,944)
Repayments of lease obligations	(836)	(959)
Proceeds from sale and leaseback transactions	-	2,742
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(0)	-
Net cash provided by (used in) financing activities	<u>9,581</u>	<u>(16,440)</u>
Effect of exchange rate change on cash and cash equivalents	<u>(213)</u>	<u>(119)</u>
Net increase (decrease) in cash and cash equivalents	<u>(11,921)</u>	<u>(29,139)</u>
Cash and cash equivalents at beginning of year	<u>67,150</u>	<u>55,229</u>
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-	(130)
Cash and cash equivalents	<u>55,229</u>	<u>25,958</u>

10. Supplementary Information

Consolidated

Selling, general and administrative expenses

	(millions of yen)		
	Amount	YoY	Inc./Dec.
Personnel expenses	93,973	(0.9)%	(831)
Rent expenses	40,286	2.5%	980
Advertising and decoration expenses	10,833	(25.2)%	(3,649)
Depreciation and amortisation	17,617	7.3%	1,195
Business consignment expenses	19,952	1.8%	359
Sales commission	14,123	14.6%	1,800
Transportation costs	14,968	(3.1)%	(482)
Others	33,106	(1.0)%	(322)
Total	244,863	(0.4)%	(949)

Non-operating Income and Expenses

	(millions of yen)		
	Amount	YoY	Inc./Dec.
Non-operating income	3,855	(0.8)%	(31)
Interest income	169	110.6%	88
Dividend income	1,314	(0.9)%	(12)
Gain on adjustment of accounts payable	1,487	4.1%	58
Other	884	(15.9)%	(166)
	Amount	YoY	Inc./Dec.
Non-operating expenses	3,196	9.0%	263
Interest expenses	772	6.0%	43
Loss on provision for redemption of gift certificates	1,058	(0.7)%	(7)
Share of loss of entities accounted for using equity method	226	26.2%	47
Other	1,138	18.9%	180

Sales of each category

(millions of yen)

	Sales	YoY	Share
Men's clothing	39,796	(3.7)%	8.7%
Women's clothing	60,961	(4.7)%	13.3%
Children's clothing	9,685	(2.8)%	2.1%
Other clothing	10,380	(8.5)%	2.3%
Clothing	120,824	(4.6)%	26.3%
Accessories, bags and others	84,198	(1.9)%	18.3%
Household merchandise	12,736	(4.6)%	2.8%
Foods	135,179	5.2%	29.4%
Restaurants & cafes	9,299	(5.2)%	2.0%
General merchandise	84,388	0.4%	18.4%
Service	2,390	9.7%	0.5%
Other	10,521	631.7%	2.3%
Total	459,538	1.7%	100.0%

Monthly Sales

	April	May	June	July	August	September
Hankyu Main Store ※1	4.6%	0.4%	7.6%	3.8%	6.7%	29.5%
Hanshin Umeda Main Store	(15.1)%	0.5%	(20.9)%	(4.1)%	(3.6)%	21.7%
Total of branch stores	1.2%	(0.3)%	2.0%	(2.1)%	(2.2)%	7.2%
Total	1.0%	0.2%	1.8%	1.0%	2.5%	21.3%
Total (not including Hanshin Umeda Main Store)	3.4%	0.1%	5.4%	-	-	-
Existing stores ※2	-	-	-	-	-	-

	October	November	December	January	February	March
Hankyu Main Store ※1	(15.8)%	(5.9)%	(5.5)%	(1.4)%	(18.1)%	(41.3)%
Hanshin Umeda Main Store	(15.1)%	(6.6)%	(5.8)%	(2.5)%	(19.9)%	(42.5)%
Total of branch stores	24.7%	33.7%	36.1%	32.1%	35.8%	(0.6)%
Total	(2.5)%	7.4%	8.0%	10.2%	(1.8)%	(28.0)%
Total (not including Hanshin Umeda Main Store)	-	-	-	-	-	-
Existing stores ※2	(14.5)%	(5.4)%	(4.6)%	(1.8)%	(14.3)%	(38.0)%

※1. including Hankyu Men's Osaka

※2. excluding Kobe Hankyu and Takatsuki Hankyu

Izumiya Co., Ltd.

Overview

(millions of yen)			
	Amount	YoY	Inc./Dec.
Net Sales	210,924	(3.4)%	(7,354)
Gross Profit	54,495	(6.3)%	(3,681)
Gross profit/ Net Sales	25.84%	-	(0.82)pt
Other operating revenue	14,543	(1.2)%	(182)
SG & A	72,184	(2.6)%	(1,945)
SG & A/ Net Sales	34.22%	-	0.26pt
Operating profit	(3,145)	-	(1,918)
Operating profit/ Net Sales	-	-	-

Sales of existing stores

	YoY
Foods	(5.3)%
Clothing	(12.0)%
Household goods	(7.8)%
Total	(6.6)%

Numbers of stores

	Number of stores
Total	84
YoY difference	(1)

Opening and closing stores

Opening	Izumi Fuchu (Osaka), Shin-Chujo (Osaka), Hanazono(Osaka)
Closing	Higashi-Neyagawa (Osaka), Izumisano(Osaka), Wakaeiwata(Osaka), Miyazaki(Miyazaki)

Monthly Sales

(YOY)						
	April	May	June	July	August	September
Total	(3.6)%	(0.5)%	(0.4)%	(9.6)%	(2.1)%	1.1%
Existing stores	(5.4)%	(2.8)%	(3.5)%	(12.1)%	(4.3)%	(0.8)%
	October	November	December	January	February	March
Total	(11.9)%	(6.8)%	(7.9)%	(8.9)%	0.5%	(3.5)%
Existing stores	(13.5)%	(6.9)%	(9.2)%	(9.3)%	(0.4)%	(2.8)%

Hankyu Oasis Co., Ltd.

Overview

	(millions of yen)		
	Amount	YoY	Inc./Dec.
Net Sales	109,415	(2.8)%	(3,177)
Gross Profit	28,839	(0.4)%	(116)
Gross profit/ Net Sales	26.36%	-	0.64pt
Other operating revenue	7,037	5.2%	350
SG & A	35,867	1.9%	679
SG & A/ Net Sales	32.78%	-	1.53pt
Operating profit	9	(97.9)%	(445)
Operating profit/ Net Sales	0.01%	-	(0.40)pt

Sales of existing stores

	YoY
Total	(4.8)%

Number of stores

	Number of stores
Total	78
YoY difference	2

Opening and closing stores

Opening	Fukushima Fukumarudori 57 (Osaka), Kisela Kawanishi(Hyogo), Reopening after earthquake damage: Minami-Ibaraki(Osaka), Ibaraki Higashi-Nara(Osaka)
Closing	Yamashita(Hyogo), Kumata(Osaka)

Monthly Sales

	(YOY)					
	April	May	June	July	August	September
Total	(5.6)%	(6.4)%	(5.3)%	(7.3)%	(4.4)%	(2.8)%
Existing stores	(3.0)%	(5.1)%	(5.9)%	(8.4)%	(7.8)%	(6.0)%
	October	November	December	January	February	March
Total	(4.5)%	(0.8)%	(2.0)%	(1.9)%	3.0%	5.0%
Existing stores	(7.5)%	(4.8)%	(5.9)%	(5.8)%	(0.7)%	2.6%